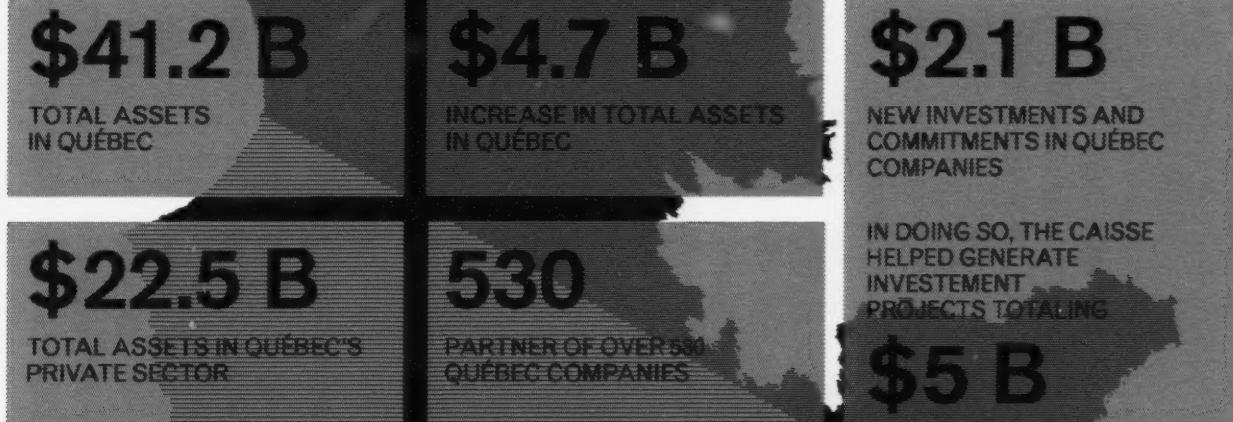
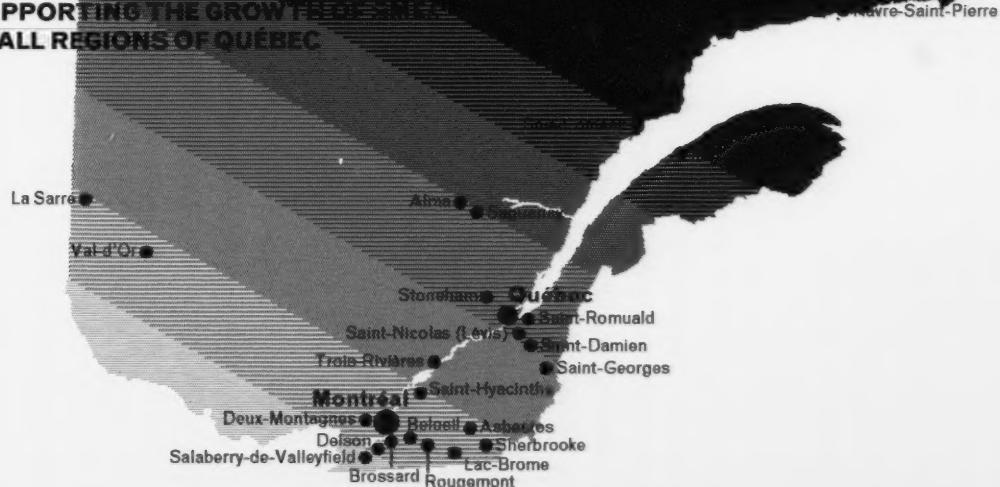


Contribution to Québec's Economic Development

The Caisse in Québec... a Few Key Numbers



THE CAISSE: SUPPORTING THE GROWTH OF THE PRIVATE SECTOR IN ALL REGIONS OF QUÉBEC



Action Mécanique
Attraction Media
Budget Propane
Cam-Trac Sag-Lac
Centre de réalisation d'outils
innovateurs (CROI)
Cervo-Polygaz
Collection Papillon Gemme
CRS/Vamic
Décomplex
Édition Gladius International

Emballages Stuart
Express Havre St-Pierre
Fromagerie Boivin
Gestion P.R.N. Vigneau
Groupe minier
CMAC-Thyssen
Hélicoptères Panorama
Hôtel Forestel Val D'Or
Hôtel Motel Q'Artier des îles
La Forfaiterie
Les Chaussures STC

Les Solutions Victrix
Lania recherche Marketing
Les Gestions F. Dumouchel
Les Impressions Soleil
Les Industries Bérome
Les Industries de Moules et
Plastiques VIP
Les produits horticoles
Demers
Les puits du Québec
Les Serres Demers

Location A.L.R.
Location Lauzon
Magellan Aviation Services
Matane Suzuki –
Matane Honda
Matelas Lion d'or
Mécanique Plomb O Gaz
Pavages Nordic
Pixel Télécom
Plastech
Propane Nord-Ouest

Recyc RPM
RGF électrique
RX Santé
Santerre électrique
Sécurgence/VIP Télécom
Source Evolution
Station Skyspa
Terratube
Ultima Fenestration
VR2 Distribution

Examples of investments completed in 2011 in partnership with Desjardins Group (see p.75).

THE CAISSE'S COMPARATIVE ADVANTAGES

- ✓ IN-DEPTH KNOWLEDGE OF QUÉBEC
- ✓ CRITICAL MASS
- ✓ GLOBAL REACH
- ✓ LONG-TERM INVESTOR ROLE

A FIRM COMMITMENT AND CONCRETE RESULTS IN QUÉBEC

Through its investments, the Caisse aims to generate returns for its depositors and contribute to business and economic growth in Québec. For the Caisse, these two fundamental components of its mission go hand in hand and allow it to best serve the interests of its depositors, Québec companies and Québec.

The Caisse is a leading institutional investor in Québec, one that defines itself as a long-term partner for high-quality, well-managed and promising companies. In addition to financing these companies, the Caisse supports their development on many other fronts, most notably through its expertise in global markets and its network of international partners.

In 2011, the Caisse continued to expand its presence and play a leadership role in Québec by continuing to implement an action plan based on its comparative advantages and supported by a statement of its contribution to Québec's economic development.

Since implementing its new Québec strategy in 2009, the Caisse has undertaken many initiatives to make investments in all of its asset classes and build a stronger presence among Québec entrepreneurs and universities.

The Caisse invests in Québec and will continue to do so because it knows this market well, and this is a major comparative advantage. The Caisse's investments have a ripple effect: its presence in a transaction often encourages other capital commitments. Accordingly, in 2011, the Caisse made over 100 new investments and commitments worth \$2.1 billion (an average of two investments per week). This led to \$5 billion in investment projects.

THE CAISSE IS DETERMINED TO DO AS MUCH AS IT POSSIBLY CAN TO BETTER SERVE ITS DEPOSITORS, QUÉBEC COMPANIES AND QUÉBEC.

Contribution to Québec's Economic Development

STATEMENT OF THE CAISSE'S CONTRIBUTION TO QUÉBEC'S ECONOMIC DEVELOPMENT

The mission of the Caisse de dépôt et placement du Québec is to receive moneys on deposit as provided by law and manage them with a view to achieving optimal return on capital within the framework of depositors' investment policies while at the same time contributing to Québec's economic development.

Returns and economic development go hand in hand. The Caisse aims to make the most of its capacity to advance Québec's economic development. It seeks to play a leadership role by making investments in profitable companies that can generate attractive returns for its depositors. The Caisse also wants to support the growth – both in Québec and internationally – of promising companies. It wants to play an active role in successful entrepreneurship and support business succession. The Caisse also wants to help strengthen Québec's financial markets and optimize its operating expenses in Québec.

The Caisse's proximity to and deep knowledge of the Québec business environment and market, its view as a long-term investor, its critical mass and its global reach represent comparative advantages. Today, this gives the Caisse an opportunity to renew its commitment to the Québec economy and focus on the following priorities:

1. Seek and seize the best business and investment opportunities

Invest in funds and support profitable companies with a view to long-term economic development, while generating a return that allows depositors to fulfill their obligations.

- Identify and make profitable, long-term investments in areas that the Caisse knows well, such as natural resources and infrastructure.
- Invest in Québec medium-sized firms that have the potential to become larger corporations.
- Forge institutional partnerships to offer companies throughout Québec varied expertise and the best financial services and tools.

2. Serve as a bridge between Québec companies and global markets

Offer diverse expertise, networks and investments to Québec companies that are capable of seizing international business opportunities to heighten their presence and accelerate growth.

- Maximize our presence, networks and level of expertise in all major markets.
- Invest in Québec companies and support their efforts to develop new products, expand international operations and accelerate growth.
- Strengthen strategic partnerships with globally active institutional investors, while integrating them into initiatives to strengthen the Caisse's financial expertise.

3. Strengthen entrepreneurial and financial succession

Strengthen the Caisse's presence in Québec's business and university communities in order to encourage entrepreneurship and enrich Québec's pool of financial expertise.

- Support the development of greater entrepreneurship and business succession.
- Continue to support development initiatives with universities and other partners in order to enhance financial expertise.

The Caisse's Achievements in Québec

HIGHLIGHTS

01 The Caisse's total assets in Québec grew \$4.7 billion in 2011, to \$41.2 billion.

02 Total assets in Québec's private sector grew \$2 billion over the year, to \$22.5 billion at the end of 2011.

03 Canadian Equity portfolio assets in Québec companies grew \$600 million in 2011 and \$1.2 billion since the end of 2009.

1. SEEK AND SEIZE THE BEST BUSINESS AND INVESTMENT OPPORTUNITIES

INVESTING IN AREAS WE KNOW WELL

In 2011, the Caisse made many investments by leveraging its comparative advantages, including its knowledge of the Québec business environment and market.

The Caisse is a major source of support to companies, typically at a crucial stage of their development, such as an expansion or acquisition project. At the present time, over 530 Québec companies receive this support through the different asset classes held by the Caisse.

Total assets in Québec

The Caisse's total assets in Québec were \$41.2 billion as at December 31, 2011, up \$4.7 billion from the previous year.

For a better understanding of the Caisse's different investments in Québec, Table 42 presents the Caisse's total assets by investment type: government and corporate bonds, publicly traded corporate securities, investments by the Private Equity group and investments by the Real Estate group. In 2011, total assets increased in each of these categories.

In the private sector, the Caisse is a long-term partner of choice for Québec companies. Total assets in the private sector were \$22.5 billion at the end of 2011, up \$2 billion from 2010. This demonstrates the Caisse's continuing commitment to Québec companies, which drive economic growth and job creation in Québec.

TABLE 42

CAISSE TOTAL ASSETS IN QUÉBEC BY INVESTMENT TYPE

(as at December 31 – in billions of dollars)

	2011	2010
Bonds	25.7	22.8
Equity Markets	3.3	2.7
Private Equity group	4.6	4.2
Real Estate group	7.6	6.8
Total	41.2	36.5
Private sector	22.5	20.5
Public sector	18.7	16.0
Total	41.2	36.5

The Caisse's Achievements in Québec

Bonds: A \$2.9 billion increase in assets

The Caisse's bond assets in Québec's public and private sectors totaled \$25.7 billion as at December 31, 2011, up \$2.9 billion over the previous year. The Caisse is a major holder of Québec government bonds, with a portfolio of close to \$9.7 billion, or \$700 million more than one year earlier (see Table 43).

The Caisse also plays a key role in the financing of public organizations in Québec, providing liquidity to this critical market. As at December 31, 2011, in addition to its holdings in Québec government bonds, the Caisse held \$9 billion of Québec public sector bonds, up \$2 billion from one year earlier.

The Caisse is very active in the private sector corporate bond market as well. As at December 31, 2011, total assets stood at \$7 billion, up \$200 million. For example, the many projects supported in 2011 included the Centre hospitalier de l'Université de Montréal (CHUM), the Seigneurie de Beaupré wind farms, as well as Garda and Cinéfix Média.

The Caisse's participation in a transaction often serves as a catalyst, attracting other, private investors to the project. The Caisse will continue to play this role, which encourages the financing of Québec companies.

TABLE 43

ASSETS IN QUÉBEC – BONDS

(as at December 31 – in billions of dollars)

	2011	2010
Québec public sector		
Government of Québec	9.7	9.0
Hydro-Québec	5.6	4.4
Other crown corporations	2.1	1.6
Municipalities and para-governmental corporations	1.3	1.0
Subtotal	18.7	16.0
Private sector: corporate securities	7.0	6.8
Total	25.7	22.8

CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM)

In 2011, the Caisse contributed \$408 million to the \$1.4 billion financing of the consortium that has the mandate to build and manage the new CHUM, a major project for the future of cutting-edge medicine in Québec. Once the construction is completed, the CHUM will have 772 private rooms and 39 operating rooms, and will bring together 36 medical specialties into a single location.

SEIGNEURIE DE BEAUPRÉ WIND FARMS

The Caisse contributed \$25 million to the financing of Phase 1 of the Seigneurie de Beaupré wind farms in the Québec City region. Representing a total investment of over \$750 million, the wind farms should be completed in December 2013 and their total generating capacity is expected to be 272 MW. The annual production of these two wind farms is enough to power approximately 50,000 homes.

Equity markets: The Caisse increases support to Québec publicly traded companies

As at December 31, 2011, Québec companies accounted for \$3.3 billion of the Canadian Equity portfolio. This represents an increase of close to \$600 million from the previous year and \$1.2 billion more since the end of 2009.

This growth reflects, among other things, the Caisse's desire to further capitalize on an important comparative advantage: its proximity to and close relationships with local companies. Such relationships reflect the Caisse's deep knowledge of the Québec market. At the end of 2011, the Caisse had holdings in 44 publicly listed Québec companies.

On March 1, 2011, a new benchmark index comprised exclusively of Québec companies – the Morningstar National Bank Québec Index – was integrated into the Canadian Equity portfolio's benchmark index so that the portfolio would better reflect the reality of the Québec economy. In 2011, the portfolio's weighting of Québec securities increased 4% to 21% by the end of the year. By way of comparison, Québec companies represented 11% of the S&P/TSX Index. This overweighting reflects the Caisse's deep knowledge of the Québec market and its confidence in Québec businesses.

For very small businesses, access to public capital markets is often the key to growth. Tapping into this source of financing represents a decisive step in their development. Investments by the Caisse afford these companies greater financial flexibility and often serve to attract other investors. This gives these securities a higher profile and greater liquidity, which leads to easier access to other sources of capital. The Caisse will continue helping publicly listed very small Québec businesses grow; this is why it created the Québec Small-Cap mandate (see box).

TABLE 44

TOP 10 QUÉBEC POSITIONS – EQUITY MARKETS (as at December 31, 2011)

Bombardier
Canadian National Railway Company
CGI Group
Dollarama
Gildan Activewear
Industrial Alliance Insurance and Financial Services
Power Corporation of Canada
RONA
Saputo
SNC-Lavalin Group

INDUSTRIAL ALLIANCE

In 2011, the Caisse acquired a block of shares worth close to \$200 million (equity markets and private equity) in this Québec financial company, becoming its main shareholder in the process. Industrial Alliance is the fourth-largest life and health insurer in Canada. The Caisse's investment will be a valuable asset as the company implements its business plan and pursues growth in Canada and the U.S.

\$50 MILLION IN NEW SUPPORT TO STRENGTHEN VERY SMALL SMALL-CAP QUÉBEC BUSINESSES

In April 2011, the Caisse created the Québec Small-Cap mandate in order to further expand its financing of very small businesses and support growth in Québec's future world-class corporations. The mandate gives the Caisse's investment teams on the equity markets \$50 million to invest in publicly listed small-cap Québec companies that are successful and show promise. Here are but a few examples:

Mercator Transport Group is a Montréal company specialized in transport brokerage services, international logistics and distribution. The Caisse's investment will give Mercator the means to fulfill supply contracts with international clients.

Extenway supplies multimedia, connectivity and communications solutions to hospitals. It will use the Caisse's investment to market entertainment terminals to new clients.

Innoventé has an intelligent approach to generating electricity; it uses organic residues as an energy source. Established in Québec City, Innoventé has a plant at Saint-Patrice-de-Beaurivage, in the Chaudière-Appalaches region. The Caisse's investment will be used to complete construction of the plant.

The Caisse's Achievements in Québec

A \$330 million increase in the Private Equity group's assets

The Caisse invests in the private equity of over 450 Québec companies, directly and through funds. Private equity investments are negotiated through mutual agreements with the companies. They are long-term investments in private companies that give the Caisse attractive returns. The Caisse is known for its great expertise in this area, acquired over the last 30 years, and for the value added it can provide in terms of business growth.

In 2011, the Caisse approved 70 new private equity investments worth \$650 million. The investments were in companies such as Novatech (see box, p. 81), Kruger and GENIVAR. The Caisse's investment in CAD Railway Industries has allowed the company to capitalize on the recovery in North American rail transportation, and the funds invested in the Telecon Group will be used to finance its succession plan and several initiatives aimed at conquering new markets.

As at December 31, 2011, the Caisse had \$4.6 billion in private equity assets in Québec, an increase of over \$330 million from the previous year (see Table 45). Table 46 (p. 76) presents the Caisse's Top 10 private equity investments in Québec. This increase was due to the quality of the companies in the portfolio as well as new investments made during the year.

The Caisse will continue to support profitable Québec companies by providing financial support and sharing its expertise.

CASCADES GROUP: SUPPORTING THE GROWTH OF A LOCAL BUSINESS

The Caisse has invested \$80 million in a project of the Cascades Group that will allow its Norampac division to become more competitive in a market niche with considerable growth potential. The new container board manufacturing plant in Niagara Falls, New York will be commissioned in the spring of 2012. The plant's efficient use of energy will make it one of the most profitable in the industry and will confirm the Cascades Group's status as an industry leader.

CROSS-CANADA EXPANSION OF ALT, THE QUÉBEC HOTEL CHAIN

The Caisse contributed \$10 million of an \$80 million investment in the Fonds d'investissement ALT Canada S.E.C. Led by Groupe Germain Inc., this transaction will finance expansion of the ALT hotel chain in Canada. Groupe Germain is well positioned to succeed with a 3-star hotel formula that it has tested in Sainte-Foy and the Dix30 shopping centre in Brossard. The Group is counting on this offer's ability to attract clients in Canada's largest cities. The Caisse's investment will be used to deploy the concept in Montréal, Toronto, Winnipeg and Halifax.

TABLE 45

PRIVATE EQUITY GROUP ASSETS AND COMMITMENTS IN QUÉBEC

(as at December 31 – in millions of dollars)

	2011		2010	
	Assets	Undisbursed commitments	Assets	Undisbursed commitments
Venture capital	107	309	416	104
Small and medium-sized businesses	512	240	752	420
Large businesses	3,970	281	4,251	3,731
Total	4,589	830	5,419	4,255

FORGING PARTNERSHIPS WITH OTHER INSTITUTIONS TO BETTER SUPPORT COMPANIES

The Caisse sees the potential of SMEs all across the province, and it will continue to support them in their growth. To ensure that they have access to the Caisse's expertise and financial resources, in 2009 it entered into a new partnership with Desjardins Group, a financial institution that is well integrated into the social and economic fabric of Québec.

This three-year \$600 million agreement has two components. The first is a \$200-million fund, called Capital Croissance PME, designed to meet the financing needs of small companies. Its investments are primarily in the form of subordinated loans of under \$3 million. The second component of the agreement has earmarked \$400 million for financing medium-sized companies, primarily through conventional term loans of over \$5 million and in the form of equity and quasi-equity.

AN INVESTMENT WITH THE QUÉBEC MANUFACTURING FUND (QMF)

Created in 2006 with the Caisse's support, the QMF is a fund that helps the Québec manufacturing sector grow by providing support that goes beyond financing. Its specialists, who are known for their operational expertise, become actively involved with the owners and managers of the companies in which the QMF invests.

LIBERTY SPRING

The Caisse partnered with the QMF to provide financing to Liberty Spring of Montmagny. This investment will allow the company to undertake an orderly succession and will provide high-level support to improve productivity.

In 2011, the Capital Croissance PME fund, a partnership of the Caisse and Desjardins Group, invested close to \$60 million in some 60 Québec businesses across the province. The funds are being used to improve productivity and carry out projects for growth, among other things.

Since 2009, over \$215 million has been invested in Québec companies under the terms of this agreement.

INVESTMENTS IN PARTNERSHIP WITH DESJARDINS

A regional leader in the hospitality industry

Inaugurated in 1974, Hôtel Forestel is the largest hotel complex in Abitibi-Témiscamingue. The company will use an investment by the Capital Croissance PME fund to upgrade all its services in anticipation of the increased and changing needs for hospitality services when the Plan Nord is implemented. Major works will include the renovation of the Convention centre and the expansion and restoration of 45 rooms.

A cutting-edge manufacturer

For over 38 years, VIF Mould and Plastics Industries has specialized in the design and manufacture of moulds and injection moulding of plastic parts. Its products and services are used mainly in the aerospace, medical equipment and electronics industries. The company is known for its considerable expertise in plastic-to-plastic and plastic-to-metal overlay moulding and for using robots to automate production.

A leader in sustainable agriculture

Productions Horticoles Demers is a family business and a Québec leader in sustainable agriculture. This Saint-Nicolas company produces tomatoes and small fruits for the Canadian market. Much of its production is grown in greenhouses, most of which are heated using biomass waste in order to minimize the environmental impact of operations. Energy produced during the day is stored in heat reservoirs and then used to heat the greenhouses at night. The company will use a capital injection to expand operations.

The Caisse's Achievements in Québec

MULTIBAR FOODS

The Caisse has committed \$15 million in a major transaction with other partners as part of a project to finance the expansion and modernization of the Multibar Foods plant in Montréal. This investment will allow the company to expand production and add 80 new employees to its current staff of 550. The investment comes at a time when the company, a North American leader in the nutritional bar market, has just signed a major contract with a new client.

Contributing to the vitality of the venture capital industry

The North American venture capital industry has been through some rough patches over the last few years, but in Québec it has held its own.

For example, in 2011, over half of the Canadian companies that received venture capital financing were located in Québec.

The Caisse has made a very real contribution over the last few years, investing \$230 million in 12 venture capital funds in Québec. This commitment has led other investors to inject almost \$1 billion in additional financing, representing a multiplier effect of approximately five times the Caisse's initial commitment. This demonstrates how the Caisse can act as a catalyst for investment in the venture capital industry.

Another example is the creation of the Teralys Capital fund. The Caisse is one of the main partners in this venture capital fund. Teralys Capital was very active in Québec in 2011, authorizing over \$170 million in venture capital funding. These investments in Québec funds convinced other investors to invest twice as much in additional funding.

TABLE 48

TOP 10 QUÉBEC INVESTMENTS – PRIVATE EQUITY GROUP

(as at December 31, 2011)

Alterinvest II Fund L.P.
 Camoplast Solideal
 Capital Croissance PME S.E.C.
 GENIVAR
 J.A. Bombardier (J.A.B.)
 Novacap Industry III L.P.
 Noverco (Gaz Métro)
 Osisko Mining Corporation
 Quebecor Media
 SSQ Vie

Real Estate group:**A dynamic unit with high-quality assets**

The Caisse is well established in Québec's real estate sector. Its Real Estate group is a major investor in the Québec market with total assets of \$7.6 billion as at December 31, 2011, up close to \$780 million from the previous year (see Table 47).

Approximately 30 new investments were authorized in this sector during the year, totaling close to \$800 million, including \$160 million to acquire the Rockhill complex. At the end of 2011, the Caisse owned nearly 65 buildings and was financing over 400 commercial real estate properties in Québec.

The Caisse's real estate assets benefited from improved market conditions for office buildings and retail properties in 2011. The Real Estate debt portfolio also profited from market conditions, expanding its presence in these sectors. In its Québec investments, the Caisse's Real Estate group looks for high-quality buildings that are very well positioned in their market. The quality of the real estate portfolio is reflected in a 95% occupancy rate in the Caisse's holdings in 2011. Table 48 (p. 78) presents the Caisse's Top 10 real estate investments in Québec.

REVITALIZATION OF CHÂTEAU FRONTENAC

In 2011, Ivanhoé Cambridge began work on a major project that will restore all of Château Frontenac's original copper roofing. This work will help ensure the longevity of a valuable part of our Québec heritage. Additional investments of \$66 million were announced in new renovation and expansion work and to showcase artifacts and works by Québec artists. The work will begin in 2012, and most of it will be completed by 2014. Furthermore, the contracting process will give priority to companies in the Québec City region and in Québec.

THE ROCKHILL COMPLEX

In 2011, Ivanhoé Cambridge acquired the Rockhill complex, a group of rental properties located in the heart of Montréal. Built in 1967, this complex has a thousand apartments in six buildings connected by an indoor passage.

TABLE 47

REAL ESTATE GROUP ASSETS AND COMMITMENTS IN QUÉBEC

(as at December 31 – in millions of dollars)

	2011			2010		
	Assets	Undisbursed commitments	Assets and undisbursed commitments	Assets	Undisbursed commitments	Assets and undisbursed commitments
Offices	3,254	129	3,383	2,951	214	3,165
Retail	3,280	89	3,369	3,136	41	3,177
Other assets	1,021	127	1,148	689	18	707
Total	7,555	345	7,900	6,776	273	7,049

The Caisse's Achievements in Québec

Investing to maintain quality standards

Each year, as part of its real estate activities, the Caisse makes major investments to reposition and renovate its properties. In 2011, these investments injected close to \$50 million into the Québec economy, mainly through major work at the Mail Champlain in Brossard and the Château Frontenac in Québec City (see box, p. 77).

Furthermore, the Caisse's Real Estate group makes investments every year in order to improve its environmental performance. In 2011, 10 Ivanhoé Cambridge buildings received BOMA BESt environmental certification from the Building Owners and Managers Association, including Carrefour Saint-Georges (Saint-Georges), Carrefour Frontenac (Thetford Mines), the Les Rivières shopping centre (Trois-Rivières), the Mail Champlain shopping centre (Brossard), Rockland Centre (Mont-Royal) and the 1500 University building (Montréal). BOMA BESt certification is bestowed on buildings that have met rigorous sustainable development criteria.

Other environmental awards this year:

- Centre CDP Capital won the Canadian Environment Award from the Building Owners and Managers Association for the importance given to environmental considerations.
- The 1000 De la Gauchetière Ouest building, in Montréal, obtained the Écolectrique award from Hydro-Québec for a marked reduction in electrical power consumption.

TABLE 42

TOP 10 QUÉBEC INVESTMENTS – REAL ESTATE GROUP

(as at December 31, 2011)

1000 De La Gauchetière Ouest, Montréal
Centre CDP Capital, Montréal
Centre Eaton de Montréal, Montréal
Fairview Pointe-Claire, Montréal
Galeries d'Anjou, Montréal
Laurier Québec, Québec
Place Ville Marie, Montréal
Rockhill Complex, Montréal
Rockland, Montréal
World Trade Centre Montréal, Montréal

2. SERVE AS A BRIDGE BETWEEN QUÉBEC COMPANIES AND GLOBAL MARKETS

For the Caisse, economic growth and wealth creation in Québec depend largely on the ability of Québec companies to carve out a niche in global markets and increase exports.

The Caisse believes that Québec has dozens of small and medium-sized businesses that could become major global players. Given the limited size of the Québec and Canadian economies, the continued growth of Québec-based companies depends on diversifying into global markets. At the present time, most of Québec's exports go south of the border. Only 15% of Québec's international exports go to Europe, and only 9% go to Asia.

Today and tomorrow, competition and business opportunities will come from all over the world. Québec has the ability to meet this challenge and seize these opportunities, and the Caisse has a major role to play – as a bridge to the world – with Québec companies able to conquer global markets. In the years to come, the Caisse will continue developing and intensifying this part of its strategy.

GENIVAR

The Montréal professional services firm GENIVAR is solidly established in Québec and across Canada. It is involved in many projects related to the construction, transportation, municipal infrastructure, industrial, energy and environmental sectors. GENIVAR, which has offices in over 100 Canadian cities, is also present in France, Colombia and Trinidad and Tobago and has carried out projects in over 35 countries. Believing that this Québec firm has the potential to carry out its international acquisition and growth strategy, the Caisse invested \$80 million in GENIVAR in 2011 as part of a \$160 million private equity investment.

INVESTING IN QUÉBEC COMPANIES WITH A VIEW TO STRENGTHENING THEIR INTERNATIONAL GROWTH

The Caisse has much to offer promising Québec companies: a global reach, investments in global markets, international business networks and expertise in new markets. The goal is to support their growth projects to help make them champions on the world stage – for the benefit of Québec.

This "Bridge to the World" vision will be achieved not only through investments but also by organizing discussion forums on best practices for meeting the challenges of market globalization.

MORGAN SCHAFFER

Established in LaSalle, Morgan Schaffer was founded in 1965, becoming the first commercial laboratory in North America with dissolved gas analysis (DGA) expertise. Since then, it has continually consolidated its expertise and built an international reputation in monitoring solutions for large high-voltage transformers. The Caisse has been a partner of this company since 1999, supporting its efforts to become established in the global market. Today Morgan Schaffer has clients in 75 countries.

In 2011, Morgan Schaffer continued to grow internationally, deploying its Calisto multi-gas technology in Singapore, New Zealand and Macau.

The Caisse's Achievements in Québec

FORGING PARTNERSHIPS WITH INSTITUTIONAL INVESTORS WORLDWIDE

The Caisse plans to use its critical mass, global reach and credibility in global markets to further expand its networks throughout the world, particularly in emerging countries. This is why it has developed and established two major partnerships with institutions that are well positioned in the international arena.

Successful partnerships for Québec companies

Whether they plan to acquire a competitor or expand international operations, Québec medium-sized companies face many obstacles on the path to international expansion. Recognizing these challenges, the Caisse and HSBC Bank Canada joined forces to create a financing solution for international investment projects. The complementarity of their financing and service offering, coupled with their vast network, represents truly unique support for Québec companies.

Access to an extensive and solid network is crucial if entrepreneurs are to capitalize on business opportunities abroad. This is why the Caisse and AXA Private Equity reached an agreement in 2009 to share their respective networks. The Caisse knows the North American market, while AXA Private Equity is well known in Europe and Asia. Since then, nearly 40 companies in Québec and Europe have benefited from networking opportunities on both sides of the Atlantic.

BSA MAKES THE MOST OF NETWORKING OPPORTUNITIES

BSA is a Montréal company specialized in technical services for the food and meat processing industry. The Caisse and AXA Private Equity placed BSA's managers in touch with the Sfinc Group in Belgium. The two companies' executives then met in Belgium and were able to reach an agreement on marketing a line of products. This agreement will allow BSA to begin distribution to the retail food sector this year.

3. STRENGTHEN ENTREPRENEURIAL AND FINANCIAL SUCCESSION

For the Caisse, entrepreneurial renewal is essential to Québec's economic development. The Caisse plays a crucial role in the Québec economy as a financial integrator. The Caisse is active, directly and indirectly, in all the finance-related occupations and helps maintain an active and modern financial sector in Québec. This allows the Caisse to act as a catalyst for economic development and growth.

FOSTERING GROWTH OF ENTREPRENEURSHIP AND SUPPORTING CORPORATE SUCCESSION

The Caisse is a long-term investor. This means that it can be effective in facilitating ordered and gradual transfers of business ownership. The Caisse's investment horizon and flexibility allow it to invest in the partial buyout of a company founder's equity position and assist in the development of a structured succession plan.

NOVATECH GROUP: ENTREPRENEURIAL SUCCESSION

This Sainte-Julie company manufactures exterior door components and door glass, including retractable screens and patio doors. Novatech has been growing for the last 30 years and is now active in more than 15 countries worldwide. As part of a staged succession transfer program, the Caisse acquired some of the Novatech founder's shares for \$17 million. It has played a key role in the transfer while supporting the new management's initiatives to grow the company.

The Caisse supports entrepreneurial succession and the dissemination of financial expertise in Québec through its support for the Collège des administrateurs de sociétés, a corporate management college associated with Université Laval. The Collège designs professional development programs for the members of boards of directors and, in collaboration with McMaster University, has developed a university-level certification program in corporate governance that is recognized across the country. In the last six years, 427 people on over 900 boards of directors have earned this degree.

In the interest of supporting the growth of Québec companies, in 2011 the Caisse began a series of actions that have allowed its investment teams to forge closer ties with members of the business community and share its financial expertise.

The following is a brief overview of the steps taken this year:

- Information meetings with over 200 Québec SMEs and large corporations, and presentations to 400 financial intermediaries;
- Appointment of seven Caisse representatives covering 13 Québec regions;
- A tour of the regions that visited 20 Québec cities in order to better understand regional issues and challenges and explain the Caisse's role and the nature of its financing offer;
- The "Dialogues" conferences on the challenges posed by globalization. These conferences brought together 600 corporate executives and business people in five Québec cities;
- The production of videos and webinars on business issues such as foreign exchange strategies and international taxation;
- Collaboration with the Fondation de l'entrepreneurship to promote the Québec Entrepreneurial Index;
- Support for the activities of the QG100 Network, a group of business owners who support the internationalization of Québec companies.

With other partners and the Government of Québec, in 2011 the Caisse developed a new support program for entrepreneurs, to be launched in 2012. The goal of the program is to identify the most promising entrepreneurs in each of Québec's regions and, through financial support and sustained mentoring, give them every opportunity to succeed.

The Caisse also helps strengthen the management of Québec companies by recommending directors with relevant experience for the boards of directors of the companies in its portfolio. Furthermore, when the Caisse makes investments in manufacturing firms, its Private Equity teams ensure that they have access to renowned experts.

The Caisse's Achievements in Québec

CONTINUING TO SUPPORT DEVELOPMENT INITIATIVES WITH UNIVERSITIES AND OTHER PARTNERS IN ORDER TO ENHANCE FINANCIAL EXPERTISE

Human capital is an essential part of fostering a dynamic financial industry. The Caisse believes that the industry must continue to invest in order to develop a large pool of financial expertise. In 2011, the Caisse continued to proactively share its knowledge and expertise by building stronger ties with the university community and supporting entrepreneurial succession.

Partnerships with universities—particularly business schools—are central to the Caisse's commitment.

The following is a brief summary of the Caisse's initiatives in 2011:

- Financial support for the operation of UQÀM's trading room
- Creation of a research chair in portfolio management at UQÀM
- Support for the short post-graduate program in finance, intended for engineers, at the École de technologie supérieure
- Support for Concordia University's program in sustainable development and responsible investment
- Presentations on careers in finance, made to approximately 300 students at nine Québec universities
- Launch of a new internship program at the Caisse

In addition, each year the Caisse awards major scholarships to four students at the École d'entrepreneurship de Beauce. The Caisse also actively supports the Concours québécois en entrepreneuriat.

Supporting initiatives that drive Québec's financial industry

The Caisse's contribution to the Québec financial industry may be measured in many different ways. For example, it is interesting to note that of the \$3 billion in banking transactions that the Caisse carries out every day, more than two thirds are processed through banks and brokers located in Québec.

Furthermore, the Caisse and its Real Estate group spend close to \$550 million each year in Québec. More than 2,000 Québec suppliers meet the needs of this high volume of activities, which helps create or maintain many jobs in the province (not to mention the impact on the development of financial expertise). The Caisse's Policy on Contracts for the Acquisition or Leasing of Goods and Services also facilitates its contribution to economic development and sustainable development. The goal of this policy is to encourage Québec suppliers, provided they meet the Caisse's cost and quality criteria.

FINANCE MONTRÉAL

The Caisse also contributes to the financial industry by supporting its structural initiatives. For the last two years, the Caisse has partnered with Finance Montréal, Québec's new financial cluster. The Caisse supports this organization in its commitment to strengthening the province's financial sector, initiating new business activities, encouraging business creation and attracting international companies to Québec.

Donations and sponsorships to benefit Québec communities

Each year, as a responsible corporate citizen, the Caisse provides financial support to organizations with a mission to contribute to the betterment of the community at large and to the advancement of the business community. This contribution mainly takes the form of donations and sponsorships. In 2011, the Caisse made nearly \$2.3 million in contributions to various organizations and events.

Through its Policy on Donations and Sponsorships, the Caisse makes a major contribution in the areas of business leadership, talent renewal and knowledge development.

Here are a few examples of projects that the Caisse supported in 2011:

- **Québec manufacturing sector:** the Caisse supported an exhaustive study of the future of Québec's manufacturing sector, conducted by Deloitte.
- **Québec International:** through the Caisse's support, Québec International organized a series of seminars on exporting.
- The "Exporting Québec" Initiative of the Board of Trade of Metropolitan Montreal: the Caisse helped create seminars on penetrating emerging markets.

Finally, the Caisse and its Real Estate group supported their employees' Centraide fundraising campaign.

Sustainable Development Report

HIGHLIGHTS

01 Meeting with representatives of government agencies on sustainable development practices

02 LEED-EB Gold certification for the Centre CDP Capital building

03 Raising employee awareness on sustainable development through ÉcoCaisse capsules

A THREE-YEAR ACTION PLAN

Sustainable development fits naturally into the Caisse's activities, which affect both the management of depositors' funds and Québec's economic development. This is why the Caisse adopted a Sustainable Development Action Plan in 2009 to structure all its initiatives from 2009 to 2011. The plan is based on best practices and the Sustainable Development Act, R.S.Q. c. D-8.1.1. It has 11 actions based on the nine organizational objectives adopted by the Caisse. A sustainable development committee consisting of representatives from the Caisse's different units oversees implementation of the plan.

The following nine organizational objectives were adopted:

1. Promote the sustainable development initiatives of the Caisse and its subsidiaries.
2. Educate and inform employees regarding sustainable development.
3. Contribute to the overall discussion on sustainable development.
4. Establish working conditions conducive to employee health.
5. Develop responsible practices for the procurement of goods and services.
6. Promote sound environmental management.
7. Help protect Québec's cultural heritage.
8. Increase cooperation with partners on sustainable development projects.
9. Support non-profit organizations that help prevent and fight poverty.

CONCRETE INITIATIVES FOR SUSTAINABLE DEVELOPMENT

Since 2009, the Caisse has established a continuous awareness program that encourages employees to engage in behaviour consistent with sustainable development practices, both at work and at home.

In 2010, the Caisse implemented various events, including a week of sustainable development awareness-raising activities, and provided several tools to employees such as the Green Guide, which highlights four types of green practices: recycle, reuse, reduce and rethink.

In 2011, the Caisse continued to organize events to explain its sustainable development approach. This included a seminar on responsible investment for depositors, during which the Caisse presented its policy on the subject. This annual report includes a section specifically on responsible investment (see p. 91). The Caisse also pursued its continuous education program in 2011, informing employees about different aspects of sustainable development through its employee newsletter and ÉcoCaisse capsules and by promoting its Green Guide.

The Caisse will continue to play a role in sustainable development in the years to come. The following Action Plan describes the main initiatives taken in 2011, as well as in 2009 and 2010.

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CAISSE SUSTAINABLE DEVELOPMENT ACTION PLAN: STATUS REPORT

Organizational objective

Promote the sustainable development initiatives of the Caisse and its real estate subsidiaries.

ACTION 01

Milestones	Initiatives
2011	A seminar was held on responsible investment for depositors. The seminar presented the Caisse's responsible development policy, its approach to dialogue with companies in the portfolio on environmental, social and governance (ESG) issues and risks, and the tool for including ESG factors in the investment analysis process.
2010	Steps were taken to identify and categorize all the corporate social responsibility (CSR) work and actions by the Caisse and its subsidiaries. The Caisse also developed a new section on its website dedicated to its sustainable development and social responsibility activities.
2009	Publication of a responsible investment (RI) report.

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Organizational objective

Inform and educate employees on the sustainable development initiatives of the Caisse and its real estate subsidiaries.

ACTION 02

ACTION 02	Milestones	Initiatives
Implement activities instrumental in achieving the Government's Plan to raise awareness and train public sector employees	2011	<p>Training on responsible investment given to portfolio managers and analysts in the investment units as well as managers in the risk unit.</p>
	2010	<p>Employees took part in training given by the ministère du Développement durable, de l'Environnement et des Parcs and attended conferences on sustainable development.</p>
		<p>Presentation of the Caisse's 2009-2011 Sustainable Development Action Plan at orientation sessions for new employees.</p>
		<p>Education on sustainable development through an internal newsletter, the Employee Green Guide and ÉcoCaisse capsules on the Intranet.</p>
		<p>Employee participation in training by the ministère du Développement durable, de l'Environnement et des Parcs.</p>
		<p>Development of a plan for portfolio manager training on responsible investment.</p>
		<p>Sustainable Development Week (April 19-23, 2010) for employees with many awareness activities, including lunch-hour meetings with representatives of Équiterre and Québec companies, information stands providing tips and ideas for more responsible consumption, as well as collection of used bicycles, books and non-perishable food.</p>
		<p>Presentation of the Sustainable Development Action Plan at orientation sessions for new employees.</p>
		<p>Education on sustainable development through an internal newsletter, the Employee Green Guide and ÉcoCaisse capsules on the Intranet.</p>
		<p>More events in the internal conference program established in 2009: 450 participants over five sessions.</p>
		<p>Awareness of sustainable development through the employee newsletter (publication of three articles and two ÉcoCaisse capsules).</p>
		<p>2009 conference program: 536 participants over eight sessions.</p>

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TABLE 48

Organizational objective

Contribute to the discussion on sustainable development.

ACTION 03

Participate in sustainable development events and groups

Milestones

2011

Initiatives

Working relationship established with a sustainable development officer at a government agency to participate in a 2011 conference and on how to implement sustainable development action plan, taking into account the organization's mission.

Organization of a meeting with sustainable development officers at Crown corporations to discuss the next sustainable development action plans and strategies for the next few years.

2010

Creation of a discussion group bringing together stakeholders from government bodies responsible for sustainable development to discuss the actions and initiatives of each organization and see whether a partnership should be established for joint action.

Organizational objective

Establish working conditions conducive to employee health and safety.

ACTION 04

Invest in risk prevention to ensure employee health and safety

Milestones

2011

Initiatives

Meetings of a committee of employees from different Caisse units to discuss the work environment. Topics covered included ergonomics and the partial replacement of individual water bottles with pitchers or large containers in conference rooms.

Development of the *Mieux faire et être* program, which includes a series of initiatives to improve efficiency and quality of life in the workplace. Deployment began in 2011 and will continue in 2012. In 2011, a program was introduced to modernize IT tools.

2010

Committee meetings on workplace prevention, which encouraged the Caisse to reconsider the location of printers and endorse decisions about replacing water dispensers with water coolers and composting paper towels in the restrooms.

Implementation of employee safety programs.

2009

Creation of a prevention committee (meeting held in December), composed of employees from all Caisse units.

TABLE 48

Organizational objective

Develop responsible practices for the procurement of goods and services.

ACTION 05

	Milestones	Initiatives
Implement practices and activities that fulfill eco-responsible government policy provisions	2011	Continued implementation of eco-responsible measures for acquisitions of goods, including recycled paper and ink cartridges, many ecological office supplies, and soap distributors with large-format refills.
	2010	Internal printing of business cards, which has reduced the minimum order amount.
	2009	Adoption of the Policy on Contracts for the Acquisition or Leasing of Goods and Services, which reflects 16 sustainable development principles.
		Implementation of a specific guideline for computer equipment purchases.
		Inclusion of sustainable development criteria in the standard tender document.
		Design of the "green office" guide for employees (distributed in December).

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Organizational objective

Promote sound environmental management at the Caisse and its real estate subsidiaries.

ACTION 06	Milestones	Initiatives
Implement measures for environmental building management	2011	<p>LEED-EB Gold certification for Centre CDP Capital, the Caisse's main business office.</p> <p>National BOMA Environment Award for Centre CDP Capital.</p> <p>BOMA BEST certification for several Québec office buildings.</p>
	2009	<p>BOMA BEST certification maintained.</p> <p>LEED certification for the Caisse's business office (Centre CDP Capital): confirmation on September 11, 2009.</p> <p>LEED certification for a Vancouver building under construction: confirmation of pre-certification, pending completion of construction.</p> <p>Creation of SITQ Group building tenant committees: first meetings held in 2009.</p>
ACTION 07	Milestones	Initiatives
	2011	Postponed adoption of the sustainable development policy by the real estate subsidiaries due to their merger under the Ivanhoé Cambridge banner.
	2010	<p>Monitoring of measures related to the Montréal office's ecological footprint to maintain a level of excellence and to reduce its footprint. The monitoring results encompass the amount of produced waste, the percentage of recycled waste, the quantity of water consumed, the quantity of energy consumed and the quantity of paper consumed and recycled.</p> <p>Development of an environmental management system that will be implemented in 2011. In 2010, all Centre CDP Capital management activities were first analyzed based on key environmental aspects and impacts, then prioritized. Improvement targets were subsequently established.</p>
	2009	Creation of a "Green" committee at Centre CDP Capital, composed mostly of tenants.

TABLE 49

Organizational objective

Help protect Québec's cultural heritage.

ACTION 08**Milestones****Initiatives**

Promote Québec's cultural heritage

2011

Exhibition of several works of art from the Caisse's collection, during the summer of 2011. This exhibition was accessible to employees and the general public.

2010

Exhibition of several works of art from the Caisse's collection during the summer of 2010. This exhibition was accessible to employees and the general public.

Organizational objective

Increase cooperation with national and international partners on integrated sustainable development projects.

ACTION 09**Milestones****Initiatives**

Work with a partner on a sustainable development project

2011

Joint activity by the Caisse and Ivanhoé Cambridge, working with Équiterre to promote its mission and participate in its financing activity.

2010

Activity with Équiterre in support of organic farming. The Caisse established a drop-off point used to distribute baskets of organic vegetables so that participating employees can pick up their vegetables at the workplace.

Activity by a real estate subsidiary with Équiterre to promote its mission and participate in its financing activity.

Sustainable Development Report

TABLE 43

Organizational objective

Support non-profit organizations that help prevent and fight poverty and social exclusion.

ACTION 10

	Milestones	Initiatives
Support philanthropic causes	2011	Development of a volunteer program in 2011. Annual fundraising campaign for Centraide.
	2010	Annual fundraising campaign for Centraide. Development of volunteer program at real estate subsidiaries.
	2009	Real estate subsidiary Ivanhoé Cambridge established a permanent volunteer program, Give & Take, to encourage its employees to do volunteer work. It offers two days of paid leave to employees who devote one of the two days to volunteering at a charity of their choice. In 2009, more than 400 employees participated in the program, representing nearly 28% of the subsidiary's workforce.

ACTION 11

	Milestones	Initiatives
Implement a company diversity program	2011	Diversity Week (November 14-18, 2011)
	2010	Diversity Week (November 29-December 3, 2010).
	2009	Creation of an Equal Access to Employment committee. An Equal Access to Employment program implementation report was tabled.